

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Thursday, August 13, 2015
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Jerry Klein, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Jerry Klein, Judy Lee, David O'Connell; Representatives Patrick R. Hatlestad, Jerry Kelsh, Keith Kempenich, Lawrence R. Klemin, Gary Kreidt, Andrew G. Maragos, Bob Martinson, Mike Nathe, Chet Pollert, Robert J. Skarphol

Members absent: Representatives Corey Mock, Marvin E. Nelson

Others present: Representative Jim Schmidt, member of the Legislative Management, was also in attendance. See [Appendix A](#) for additional persons present.

It was moved by Representative Maragos, seconded by Senator O'Connell, and carried on a voice vote that the minutes of the April 21, 2015, meeting be approved as distributed.

The Legislative Budget Analyst and Auditor reviewed the [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#).

COMMITTEE DUTIES AND RESPONSIBILITIES

At the request of Chairman Klein, the Legislative Council staff reviewed a memorandum entitled [Legislative Audit and Fiscal Review Committee - Statutory Duties and Responsibilities for the 2015-17 Biennium](#). The Legislative Council staff said the Legislative Management by statute appoints a Legislative Audit and Fiscal Review Committee as a division of its Budget Section. Pursuant to North Dakota Century Code Section 54-35-02.1, the committee is created:

- For the purpose of studying and reviewing the financial transactions of the state.
- To assure the collection of revenues and the expenditure of money is in compliance with law, legislative intent, and sound financial practices.
- To provide the Legislative Assembly with formal, objective information on revenue collections and expenditures as a basis for legislative action to improve the fiscal structure and transactions of the state.

In addition, the committee is assigned the following duties and responsibilities for the 2015-17 biennium:

1. **State Fair Association** - Receive annual audit reports from the State Fair Association pursuant to Section 4-02.1-18.
2. **State Board of Higher Education** - Receive a report from the State Board of Higher Education on the operations of Dickinson State University pursuant to Section 40 of 2015 House Bill No. 1003.
3. **Ethyl alcohol and methanol producers** - Receive annual audit reports from any corporation that produces agricultural ethyl alcohol or methanol in this state and which receives a production subsidy from the state pursuant to Section 10-19.1-152, receive annual audit reports from any limited liability company that produces agricultural ethyl alcohol or methanol in this state and which receives a production subsidy from the state pursuant to Section 10-32-156, and receive annual audit reports from any limited partnership that produces agricultural ethyl alcohol or methanol in this state and which receives a production subsidy from the state pursuant to Section 45-10.2-115.
4. **Department of Human Services' accounts receivable** - Receive annual reports on the status of accounts receivable for the Department of Human Services and the Life Skills and Transition Center, pursuant to Sections 25-04-17 and 50-06.3-08.

5. **Low-risk incentive fund** - Receive annual audit reports and economic impact reports from the North Dakota low-risk incentive fund. Section 26.1-50-05 provides for the audit report to be submitted to the Legislative Council. The Legislative Management has assigned the responsibility to this committee.
6. **North Dakota Stockmen's Association** - Receive a biennial audit report from the North Dakota Stockmen's Association. Section 4.1-72-08 provides for the audit report to be submitted electronically to the Legislative Council. The Legislative Management assigned the responsibility to this committee.
7. **Job Service North Dakota** - Receive a performance audit report, upon the request of the committee, for Job Service North Dakota pursuant to Section 52-02-18.
8. **Performance audits** - The State Auditor is to conduct or provide for performance audits of state agencies as determined necessary by the State Auditor or this committee, and the State Auditor must obtain approval from this committee prior to hiring a consultant to assist with conducting a performance audit pursuant to Section 54-10-01.
9. **Frequency of audits** - Determine the frequency of audits or reviews of state agencies pursuant to Section 54-10-01.
10. **Political subdivisions** - Determine if the State Auditor is to perform audits of political subdivisions on a more frequent basis than once every two years pursuant to Section 54-10-13 and direct the State Auditor to audit or review the accounts of any political subdivision pursuant to Section 54-10-15.
11. **Study and review audit reports** - Pursuant to Section 54-35-02.2, the committee is charged with the following responsibilities:
 - a. To study and review audit reports selected by the committee from those submitted by the State Auditor.
 - b. To confer with the State Auditor regarding the audit reports reviewed by the committee.
 - c. As necessary, to confer with representatives of state departments, agencies, and institutions audited in order to obtain information regarding fiscal transactions and governmental operations.

The Legislative Council staff presented the following proposed action plan for the committee's consideration:

1. Receive audit reports prepared by the State Auditor's office and independent auditors.
2. Receive performance audit reports as determined necessary by the State Auditor or this committee.
3. Receive a report by the State Board of Higher Education on the operations of Dickinson State University.
4. Receive followup reports for the State Water Commission's water use permitting process, the Game and Fish Department's private land open to sportsman program and the department's compliance with laws, rules, and policies related to human resources and the use of resources, and the North Dakota University System institution tuition waivers and student stipends.
5. Receive information technology audit reports, including an Information Technology Department system audit report and a North Dakota network and security audit report.
6. Request a performance audit be conducted, as deemed necessary by this committee, for Job Service North Dakota pursuant to Section 52-02-18.
7. Direct the Legislative Council staff to send correspondence, as deemed necessary, to each agency that has not complied with previous audit recommendations requesting the agency to appear before the committee to explain the reason for noncompliance with audit recommendations or steps taken to address recommendations.
8. Receive annual reports on the status of accounts receivable for the Department of Human Services and the Life Skills and Transition Center.
9. Receive annual audit reports from any corporation, limited partnership, or limited liability company that produces ethyl alcohol or methanol in this state and which receives a production subsidy from the state.
10. Develop recommendations and related bill drafts.
11. Prepare the final report for submission to the Legislative Management.

AUDIT PROCESS FOR STATE AGENCIES

Chairman Klein called on Mr. Ron Tolstad, Audit Manager, State Auditor's office, who reviewed a document entitled *Overview of Auditing for the State of North Dakota* ([Appendix B](#)). Mr. Tolstad said the State Auditor's office does not have statutory authority to audit all state agencies. He said agencies that are not audited by the State Auditor are audited by certified public accountant (CPA) firms. He said other state agencies are also audited by CPA firms at the request of the State Auditor when the State Auditor does not have sufficient resources to audit the entity. He said CPA firms are required to follow *Guidelines to Independent Certified Public Accountants Performing Audits of State Agencies*, and audits performed by CPA firms are paid by the state agency being audited.

Mr. Tolstad said the State Auditor's office is audited every two years by an independent CPA firm that is contracted by the Legislative Council. He said the office also receives a peer review every three years. He said the peer review for the period of March 1, 2013, through March 31, 2014, includes an opinion that the system of quality control of the State Auditor's office has been suitably designed and was complied with during the period under review. He said the next peer review is anticipated to be completed in June 2017.

Mr. Tolstad said the results of audits are presented to the committee by the State Auditor's office or the CPA firm that performed the audit.

Representative Kempenich expressed a concern regarding the limited options available for penalizing a state agency or political subdivision that does not implement recommendations included in the audit reports prepared by the State Auditor's office or a CPA firm.

In response to a question from Representative Skarphol, the Legislative Budget Analyst and Auditor said agency budget summaries, which are prepared by the Legislative Council staff and provided to House and Senate Appropriation Committees during the legislative session, include major audit findings.

In response to a question from Representative Nathe, the Legislative Budget Analyst and Auditor said pursuant to Section 54-10-14, the State Auditor may, in lieu of an audit, require school districts with less than 100 enrolled students, cities with less than a population of 500, and political subdivisions or other entities with less than \$300,000 of annual receipts, to submit annual financial reports. The Legislative Budget Analyst and Auditor said 2015 Senate Bill No. 2262 changed the annual receipts threshold for political subdivisions or other entities from \$200,000 to \$300,000 for fiscal reporting periods ending after July 1, 2015.

Mr. Tolstad provided the committee with information ([Appendix C](#)) regarding a list of political subdivisions the State Auditor's office may audit every two years, and information on annual report requests from school districts with less than 100 enrolled students, cities with less than 500 population, and other political subdivisions subject to Section 54-10-14.

**MEDICAID PROVIDER AND RECIPIENT FRAUD AND ABUSE -
PERFORMANCE AUDIT FOLLOW-UP**

Mr. Jason Wahl, Audit Manager, State Auditor's office, presented the performance audit follow-up report relating to Medicaid provider and recipient fraud and abuse. Mr. Wahl said the followup report provides information on the status of the recommendations provided in the performance audit report dated September 2, 2010. Mr. Wahl said the objectives of the performance audit were to determine if the Department of Human Services:

1. Adequately identifies and pursues indications of potential Medicaid provider fraud and/or abuse.
2. Adequately identifies and pursues indications of potential Medicaid recipient fraud and/or abuse.

Mr. Wahl said of the 21 recommendations provided in the report, 8 of the recommendations have been fully implemented, 11 recommendations have been partially implemented, and 2 recommendations have not been implemented. Mr. Wahl reviewed the status of the 21 recommendations as follows:

Status of Recommendation	Description of Recommendations
Surveillance and Utilization Review Process	
Partially implemented	Promoting a culture of identifying potential Medicaid fraud and abuse, which includes: <ul style="list-style-type: none"> • Establishing adequate policies and procedures for identifying potential Medicaid fraud and abuse including definitions and steps to take when indications of potential Medicaid fraud and abuse are identified; • Defining an employees' responsibility for identifying potential Medicaid fraud and abuse; • Communicating responsibilities to employees; and • Providing adequate training for identifying potential fraud and abuse to employees.
Partially implemented	Complying with federal requirements and ensuring an effective surveillance and review process is established to protect the integrity of the Medicaid program.
Not implemented	Ensuring the Surveillance and Utilization Review System Unit is sufficiently organized outside the control of the other Medicaid operations so the unit can objectively perform its functions.

Partially implemented	<p>Reviewing staffing levels of the Surveillance and Utilization Review System Unit and the Fraud and Abuse Unit, which includes the following:</p> <ul style="list-style-type: none"> Identifying duties and responsibilities of the units' employees which are not a responsibility of the units'; Determining whether duties can be reassigned; and Ensuring adequate resources exist for fulfilling mandatory responsibilities of the unit.
Fully implemented	<p>Ensuring the administrator of the Surveillance and Utilization Review System Unit has the necessary knowledge and skills to conduct utilization reviews and identifying suspected fraud by requiring the administrator has necessary qualifications as required by the Medicaid program.</p>
Fully implemented	<p>Providing appropriate and convenient methods to report potential Medicaid fraud and abuse, which includes the following:</p> <ul style="list-style-type: none"> Establishing a dedicated 1-800 number for reporting fraud and abuse and/or adding an option to the current Medical Services Division number which is dedicated to reporting fraud and abuse and/or; Establishing an online form which can be submitted electronically.
Medicaid Providers	
Not implemented	<p>Requesting a new Medicaid Fraud Control Unit waiver from the federal government, and:</p> <ul style="list-style-type: none"> Take appropriate action to establish a Medicaid Fraud Control Unit in the state; or Ensuring adequate resources are available to efficiently and effectively investigate and refer Medicaid provider fraud and abuse.
Fully implemented	<p>Complying with federal requirements and taking appropriate action when a provider is suspected of fraud or abuse following a preliminary investigation, which includes the department:</p> <ul style="list-style-type: none"> conducting a full investigation; or referring the case to an appropriate law enforcement agency.
Partially implemented	<p>Making improvements with the denied claims information received from the Quality Improvement Organization, which includes:</p> <ul style="list-style-type: none"> Effectively monitoring and identifying patterns of inappropriate billings; and Ensuring inappropriate billing information is provided to the Surveillance and Utilization Review System Unit.
Partially implemented	<p>Improving the post-payment review process of Medicaid providers to ensure fraud and abuse are effectively identified.</p>
Partially implemented	<p>Taking appropriate action with ambulance provider claims to ensure Medicaid funds are properly expended, which includes:</p> <ul style="list-style-type: none"> Ensuring recovery of inappropriately paid claims; Performing an analytical review of ambulance provider claims; and Conducting necessary investigations of suspected provider fraud or abuse.
Partially implemented	<p>Improving the audit and reviews conducted on Qualified Service Providers, which includes:</p> <ul style="list-style-type: none"> Conducting analytical reviews of data to identify areas to audit and review; Ensuring adequate resources exist to conduct audits and reviews of Qualified Service Providers; and Forwarding indications of Medicaid fraud and abuse to the Surveillance and Utilization Review System Unit.
Fully implemented	<p>Establishing policies and procedures for conducting investigations of potential Medicaid provider fraud and/or abuse.</p>
Fully implemented	<p>Establishing policies and procedures for referring suspected Medicaid provider fraud.</p>
Partially implemented	<p>Improving practices related to sanctions of Medicaid providers and making appropriate changes to use such options when applicable, which include:</p> <ul style="list-style-type: none"> Reviewing and updating North Dakota Administrative Code Chapter 75-02-05 and ensuring rules are consistent with the Code of Federal Regulations requirements; and Ensuring civil penalties and other sanctions are imposed, following investigations of providers which identify inappropriate billings, fraud, and/or abuse.
Medicaid Recipients	
Fully implemented	<p>Complying with federal requirements following preliminary investigations of Medicaid recipients, including:</p> <ul style="list-style-type: none"> Referring the case to an appropriate law enforcement agency if there is reason to believe a recipient has defrauded the Medicaid program; and Conducting a full investigation of abuse if there is reason to believe a recipient has abused the Medicaid program.

Partially implemented	Improving communication of identified fraud and abuse with the program recipients, including: <ul style="list-style-type: none"> • Ensuring the Surveillance and Utilization Review System Unit and Fraud and Abuse Unit are notified of all indications of potential Medicaid recipient fraud and/or abuse; • Communicating indications of fraud and/or abuse to other applicable program areas; and • Analyzing the benefits of centralizing fraud and abuse information and work for all programs within the department.
Fully implemented	Establishing policies and procedures for conducting investigations of potential Medicaid recipient fraud and/or abuse.
Fully implemented	Establishing policies and procedures for referring suspected Medicaid recipient fraud and/or abuse.
Partially implemented	Conducting a formal cost-benefit analysis to determine if the reestablishment of welfare fraud units within the state is warranted.
Fully implemented	Modifying requirements in the Medicaid Program Policy Manual related to county social services offices referring all recipient errors to the State's Attorney's office, which includes: <ul style="list-style-type: none"> • Establishing criteria for recipient errors which must be reported to the Surveillance and Utilization Review System Unit; and • Not requiring counties to refer all recipient errors to the State's Attorney's Office.

Mr. Wahl said one recommendation to request a new Medicaid Fraud Control Unit waiver from the federal government was not implemented. He said the Department of Human Services did contact the federal Centers for Medicare and Medicaid Services regarding what changes would be needed to require a new waiver request to be submitted. He said the recommendation has not been implemented because the department is waiting for information from the Health and Human Services Office of Inspector General regarding if the state can continue to operate under conditions that would exempt the state from needing a Medicaid Fraud Control Unit.

COMMENTS BY DEPARTMENT OF HUMAN SERVICES

At the request of Chairman Klein, Ms. Maggie D. Anderson, Executive Director, Department of Human Services, provided comments regarding the performance audit report followup of the Medicaid Provider and Recipient Fraud Abuse performance audit. Ms. Anderson said the 64th Legislative Assembly included language in 2015 Senate Bill No. 2003 to consider studying the feasibility and desirability of establishing a Medicaid fraud unit in the state. She said the study was not selected by the Legislative Management for a study during the 2015-16 interim. She said the state did have welfare fraud units until the 1999-2001 biennium. She said the federal Secretary of Health and Human Services work plan for 2015 includes determining if North Dakota may continue to operate under conditions that would support a state exemption for a waiver related to a Medicaid Fraud Control Unit.

In response to a question from Senator Lee, Ms. Anderson said the department anticipates a "go-live" date of October 5, 2015, for the Medicaid Management Information System and December 7, 2015, for the eligibility system.

In response to a question from Representative Skarphol, Ms. Anderson said the department anticipates the new Medicaid Management Information System will:

- Allow providers filing manual paper forms to use a new "Direct Entry Claims" form to submit electronically;
- Allow providers sending reports electronically to attach supporting documentation for each claim; and
- Provide accurate and timely payments.

DICKINSON STATE UNIVERSITY - PERFORMANCE AUDIT FOLLOW-UP

Mr. Wahl presented the performance audit follow-up report relating to Dickinson State University. Mr. Wahl said the followup report provides information on the status of the recommendations provided in the performance audit report dated February 28, 2012. Mr. Wahl said the objective of the performance audit was to determine if Dickinson State University has established an adequate system for monitoring operations.

Mr. Wahl said of the 33 recommendations provided in the performance audit report, 19 of the recommendations have been fully implemented, 11 recommendations have been partially implemented, 1 recommendation had not been implemented, and 2 recommendations were no longer applicable. Mr. Wahl reviewed the status of the 33 recommendations as follows:

Status of Recommendation	Description of Recommendations
Tuition and Fees	
Fully implemented	Making appropriate changes to ensure tuition rates are consistently charged and accurately reflect what will be collected.
Fully implemented	Ensuring access fee moneys are used for expenses associated with distance education and fee amount charged to students is appropriate.
Partially implemented	Making appropriate changes to fees charged to students, which includes: <ul style="list-style-type: none"> • Ensuring fees are only charged to students who are expected to utilize the services supported with the fees; and • Ensuring fees charged to dual credit students are fully disclosed.
Partially implemented	Using application fee moneys for expenses associated with processing applications.
Fully implemented	Specifically allocating and/or establishing a budget for use of moneys collected from students through the university fee.
Partially implemented	Obtaining proper approval from the Chancellor when required by State Board of Higher Education policy, including: <ul style="list-style-type: none"> • Waiving application fees, and • Charging less than the resident tuition rate.
Scholarships and Waivers	
No longer applicable	Complying with established criteria for awarding the Roughrider Scholarships.
Fully implemented	Monitoring recipients of Roughrider Scholarships to ensure renewals, revocations, and reinstatements are appropriate and consistent.
Fully implemented	Centralizing the Roughrider Scholarship program and ensuring all Roughrider Scholarship information is approved and maintained by a single department.
Fully implemented	Establishing policies and procedures to ensure institutional scholarships are budgeted, awarded, and monitored appropriately.
Fully implemented	Monitoring recipients of Global Awareness and Cultural Diversity Tuition Waivers to ensure renewals, revocations, and reinstatements are appropriate and consistent.
Fully implemented	Centralizing the Global Awareness and Cultural Diversity Tuition Waiver programs and ensuring all waiver information is approved and maintained by a single department.
Fully Implemented	Establishing formal policies and procedures for the administration of the Global Awareness and Cultural Diversity Tuition Waivers.
Fully Implemented	Notifying National Association of Intercollegiate Athletics of apparent violations of requirements, which includes: <ul style="list-style-type: none"> • Awarding 75 percent cultural tuition waivers, 100 percent cultural and global tuition waivers, and Blue Hawk Presidential Out-of-State tuition scholarships only to athletes; and • Awarding Roughrider Scholarships and Blue Hawk Presidential Out-of-State tuition scholarships to athletes without involvement from the Committee on Student Loans and Scholarships.
Fiscal-Related Areas	
Partially implemented	Being good stewards of public funds, which includes: <ul style="list-style-type: none"> • Adhering to State Board of Higher Education policy 308.1, and using good judgment to ensure good value is received for every expenditure; • Avoiding unnecessary and/or unreasonable use of public funds to ensure funds are available for essential purposes; and • Creating and maintaining an organizational culture of accountability and stewardship of public resources.
Fully implemented	Ensuring adequate funds exist prior to incurring expenditures.
Fully implemented	Complying with State Board of Higher Education requirements and receipt athletic camp income with the Bank of North Dakota.
No longer applicable	Making improvements with international recruiting agent agreements, and if agreements are to be used, should include: <ul style="list-style-type: none"> • Monitoring vendors to ensure agreement requirements are met; • Only providing commission payments when appropriate; and • Modifying payment requirements to ensure students who have previously enrolled at the university do not require another full commission payment to enroll in subsequent semesters.

Partially implemented	Making improvements with contracts and agreements entered into for services, which includes: <ul style="list-style-type: none"> • Including applicable terms and conditions within contracts and agreements; and • Ensuring legal counsel performs appropriate reviews.
Not implemented	Making improvements in the procurement of services, which includes: <ul style="list-style-type: none"> • Establishing a requirement for procurement of services estimated over a certain dollar threshold to be procured by an individual with the appropriate procurement knowledge and training; and • Complying with State Board of Higher Education policies.
Fully implemented	Requiring a list of attendees for functions, events, and related activities which have costs associated with food and beverage paid by the university.
Additional Areas Requiring Improvement	
Partially implemented	Making improvements to foster open communication and coordinate efforts of departments and offices.
Fully implemented	Enrolling students only when required documentation is completed and submitted to the office.
Fully implemented	Establishing a formalized monitoring process to review compliance with academic standards and validating academic integrity.
Fully implemented	Conducting formal review of classes offered, including costs, enrollment, and fields of study to ensure resources are used efficiently.
Partially implemented	Making changes to the admission process for international students, which includes: <ul style="list-style-type: none"> • Establishing a standard scoring system to measure the language proficiency of applicants; • Requiring all applicants to take tests which are appropriately administered; and • Ensuring all appropriate documentation is reviewed prior to admitting an applicant.
Fully implemented	Taking appropriate action when visa requirements are not being maintained or met.
Fully implemented	Complying with State Board of Higher Education policies related to merit-based salary increases, which includes: <ul style="list-style-type: none"> • Modifying the salary administrative policy to include requirements related to merit-based salary increases; and • Ensuring merit-based salary increases are supported by current performance reviews.
Fully implemented	Complying with State Board of Higher Education policies related to performance reviews and ensuring annual reviews are completed for all benefited employees.
Partially implemented	Complying with code of conduct requirements and ensuring the required individual completes an investigation.
Partially implemented	Making improvements with the hiring process, which includes: <ul style="list-style-type: none"> • Ensuring all applicants applying for positions at the university are treated in a fair and equal manner; and • Maintaining documentation supporting the hiring decision.
Partially implemented	Ensuring appropriate access to computer systems, which includes: <ul style="list-style-type: none"> • Ensuring adequate policies and procedures are established to restrict access privileges and assign appropriate roles to user ID's; and • Ensuring adequate reviews of security and user roles are being performed.
Partially implemented	Establishing policies and procedures regarding use of student housing by non-student, which includes: <ul style="list-style-type: none"> • Establishing criteria for the use of student housing; • Developing contract terms and conditions; and • Developing a rate-setting process.

Representative Nathe expressed concern regarding activity fees being charged to distance education students. He said students not attending classes on campus should not be charged an activity fee since these students receive no benefit from the fee they are required to pay.

COMMENTS BY DICKINSON STATE UNIVERSITY

At the request of Chairman Klein, Mr. Mark Lowe, Vice President of Finance and Administration, Dickinson State University, provided comments regarding the performance audit report followup of the Dickinson State University performance audit from February 28, 2012. He said there are challenges to appropriately charging student fees, especially to distance education students. He said some distance education students also attend classes on campus.

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Chairman Klein called on Mr. Tolstad, who presented the audit report on the internal controls and compliance report on the audit of the basic financial statements included in the June 30, 2014, *North Dakota Comprehensive Annual Financial Report*. Mr. Tolstad said the State Auditor's office has audited the general purpose financial statements for the state of North Dakota for the year ended June 30, 2014. He reviewed the auditor's responses to the committee guidelines and said the report contains an unmodified opinion, and the report identified two internal control weaknesses and one significant audit adjustment.

Mr. Tolstad said the two internal control weaknesses included:

- Improper reconciliation of motor vehicle clearing account.
- Taxes receivable errors.

Mr. Tolstad said the one significant audit adjustment included:

- A financial statement adjustment error of \$28 million to the taxes receivable account and \$18 million to the allowance for doubtful accounts.

Mr. Tolstad said Governmental Accounting Standards Board (GASB) Statement No. 68, which relates to accounting and financial reporting for pensions, will require the state to recognize its proportionate share of the collective unfunded net pension liability, pension expense, and deferred pension outflows and inflows of the North Dakota Public Employees Retirement System's plan within its financial statements when the provision becomes effective for fiscal years ending June 30, 2015, and after. He said the state's proportionate share of the unfunded net pension liability is approximately \$350 million for the fiscal year ending June 30, 2014.

In addition, Mr. Tolstad said GASB Statement No. 65 relating to items previously reported as assets and liabilities and GASB Statement No. 67 relating to financial reporting for pension plans, which is an amendment to GASB Statement No. 25, will be implemented for the fiscal years ending after June 30, 2015. He said the full impact of the new standards have not yet been determined.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Ms. Rachel Kmetz, Accounting Manager, Office of Management and Budget, presented information on the *North Dakota Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2014. She reviewed the information contained in the report and a supplemental report entitled *2013-15 Biennium Budget and Actual Detail*. Copies of both reports are on file in the Legislative Council office.

INTERNAL CONTROL AND COMPLIANCE REPORT

Ms. Robyn Hoffmann, Audit Manager, State Auditor's office, presented the internal control and compliance report on the audit of the general purpose financial statements included in the June 30, 2014, annual financial report for the North Dakota University System. She reviewed the auditor's responses to the committee guidelines and said there were 10 audit recommendations, which included seven prior audit recommendations that were not implemented.

Ms. Hoffmann said the seven prior audit recommendations not implemented relate to:

- Internal control and training.
- Governance and internal controls of foundation audits, including review of affiliated organization operating agreements.
- Timely recording of accounting entries at Core Technology Services.
- Inadequate bank and investment reconciliation procedures at Core Technology Services and Valley City State University.
- Improper classification of net position at North Dakota State College of Science.
- Legislative approval for local fund projects at Minot State University, North Dakota State University, and University of North Dakota.
- Reconciliation of general ledger balances at Williston State College.

Ms. Hoffmann said the report identifies three current audit recommendations relating to:

- Background checks of all employees, including student employees prior to providing PeopleSoft access.
- Internal auditor staff compliance of internal audit documentation standards.

- Implementing procedures to ensure accuracy of general ledger and financial statements.

UNIVERSITY SYSTEM ANNUAL FINANCIAL REPORT

Ms. Robin Putnam, Director of Financial Reporting, North Dakota University System, presented the annual financial report for the University System for the fiscal year ended June 30, 2014. She said the report for the University System includes the 11 public universities, the University System office, Core Technology Services, and 18 foundations which are required by government accounting standards to be included as component units of the University System. She said an unqualified opinion was issued on the financial statements. As of June 30, 2014, she said, the University System had total net assets \$1,120,200.

Ms. Putnam said the annual degree credit headcount for the fall of 2013 was 48,015. She said total operating revenues of the University System increased 3 percent from fiscal year 2013 as a result of increases in tuition and fees, and sales and services of educational departments.

Ms. Putnam said the University System adopted GASB Statement No. 65 in 2014, relating to items previously reported as assets and liabilities. She said GASB Statement No. 65 requires certain items that were previously reported as assets and liabilities to be reported as outflows of resources or inflows of resources in the year incurred or received. In addition, she said it also requires costs related to the issuance of debt to be recognized as an expense in the period incurred rather than recorded as a deferred charge and amortized. She said the adoption includes a \$3.6 million prior period adjustment to the University System's net position.

In response to a question from Representative Klemin, Ms. Putnam said the University System is in the process of developing online programs which will include more up-to-date budget data for the University System.

NORTH DAKOTA UNIVERSITY SYSTEM INSTITUTIONS TUITION WAIVERS AND STUDENT STIPENDS PERFORMANCE AUDIT

The committee continued discussion of the performance audit of the use of tuition waivers and student stipends at North Dakota University System institutions. The performance audit report was presented to the committee on April 21, 2015.

Dr. Lisa Feldner, Vice Chancellor for Information Technology and Institutional Research, North Dakota University System, said the University System and State Board of Higher Education are currently in the processes of addressing data inconsistency issues at institutions and entities under its control, and developing policies and procedures to correct the inconsistencies as provided for in Section 42 of 2015 House Bill No. 1003. She said the inconsistency issues identified were recommended in the University System's tuition waivers and student stipends performance audit. She said the University System has hired a project manager.

In response to a question from Representative Skarphol, Dr. Feldner said the State Board of Higher Education anticipates developing a board policy which will be more consistent across all campuses and anticipates following the audit recommendations included in the performance audit report.

Mr. Wahl provided comments relating to the performance audit, including the need for the State Board of Higher Education to consider common definitions across all campuses relating to discounts, waivers, stipends, and internships.

Representative Kreidt suggested the committee also receive information from the State Board of Higher Education regarding the board's response to the recommendations.

Chairman Klein said committee discussion will continue at the next meeting. He said the University System will be asked to provide information at the next meeting regarding its progress in developing consistent definitions of a discount, waiver, stipend, and internship.

Representative Skarphol said the North Dakota University System policy for nonresident tuition is set at 267 percent of the resident tuition rate. He suggested the committee receive information relating to a comparison of policies in other states relating to the nonresident tuition rates compared to resident tuition rates. Chairman Klein requested the Legislative Council to prepare a memorandum to provide a comparison of policies in other states for nonresident tuition rates compared to resident tuition rates and present the memorandum to the committee at its next meeting.

DEPARTMENT OF HUMAN SERVICES ACCOUNTS RECEIVABLES

Chairman Klein called on Ms. Jennifer Scheet, Budget Director, Department of Human Services, who presented information ([Appendix D](#)) on the status of accounts receivables pursuant to Section 25-04-17 and 50-06.3-08. Ms. Scheet said the total amount written off by the department for fiscal year 2014 was \$7,184,139, of which \$1,143,656 relates to human service centers, \$6,004,587 relates to the State Hospital, and \$35,896 relates to the Life Skills and Transition Center.

In response to a question from Representative Pollert, Ms. Debra McDermott, Chief Financial Officer, Department of Human Services, said the department has various payment plan options available for its clients to pay outstanding charges depending on each individual's needs. She said the department seeks assistance from collection agencies for collecting on certain outstanding accounts. She said the department estimates its collections as part of its budget preparation process.

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Chairman Klein called on Ms. Mindy Piatz, Brady, Martz & Associates, PC, Certified Public Accountants, who presented the audit report for the housing incentive fund for the years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

In response to a question from Representative Skarphol, Ms. Jolene Kline, Executive Director, Housing Finance Agency, said the housing incentive fund, to date, has received approximately \$12.9 million of contributions. She said the housing incentive fund is authorized to receive contributions of \$30 million for the 2015-17 biennium. She said all of the \$35.4 million of contributions received during the 2013-15 biennium have been committed to projects.

Ms. Piatz presented the audit report for the Housing Finance Agency for the years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Piatz presented the audit report for the Department of Trust Lands for the years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report includes one internal control finding relating to the implementation of an audit function for compliance with unclaimed property.

Ms. Piatz presented the audit report for Job Service North Dakota for the years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Piatz presented the audit report for the Public Employees Retirement System for the years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report contains an unmodified opinion, and said the report does not include any findings or recommendations.

In response to a question from Representative Kempenich, Ms. Piatz said, for actuarial purposes, a five-year smoothing method is used for calculating the funded status of the pension fund. She said, for financial reporting purposes, GASB Statement Nos. 67 and 68 require financial statement reporting of the fair market value of assets when determining the net pension liability.

Ms. Piatz presented the audit report for the Public Employees Retirement System--Schedule of Employer Allocations and Pension Amounts by Employer for the fiscal year ended June 30, 2014. She reviewed the auditor's responses to the committee guidelines and said the report includes one internal control finding related to review of current process to determine completeness and accuracy of census data.

In response to a question from Representative Kempenich, Mr. Sparb Collins, Executive Director, North Dakota Public Employees Retirement System, said GASB Statement No. 68 does not affect the amount cities and other political subdivisions pay into the North Dakota Public Employees Retirement System. He said the contribution rate, which is used to determine what a city or political subdivision pays in, is determined based on a statutory rate set by the Legislative Assembly. He said GASB Statement No. 68 requires a city or political subdivision to report, on its financial statements, the fair market value of its net pension liability. He said the *Schedule of Employer Allocations and Pension Amounts by Employer* provides the percentages of the fair market value of a city or political subdivision's net pension liability. He said GASB Statement No. 68 requires financial statement reporting of the net pension liability for fiscal years ending after June 30, 2014.

CITY OF LIGNITE FIRE DEPARTMENT WATER SALES

Chairman Klein called on Mr. John C. Patch, Director, Water Appropriations Division, State Engineer's office, who presented information regarding the industrial water use and sales violation policy of the State Engineer's office. Mr. Patch said the State Engineer has regulatory authority for the use of waters in the state. He said because of hydraulic fracturing in the western part of the state, water is important for the development of the industry. He said this has increased the value of water in the western part of the state. He said the department established a policy to address violations by considering the profit potential from taking water illegally. In addition, he said, the policy includes possible forfeiture of future use of water for violators. He said the city of Lignite is in an area of the state where ground water is scarce.

Ms. Jennifer E. Weier, Hydrologist Manager, Water Appropriations Division, State Engineer's office, presented information ([Appendix E](#)) to the committee regarding the City of Lignite Volunteer Fire Department water sales. Ms. Weier said the Lignite Volunteer Fire Department began selling large quantities of water to the oil industry in 2010 from a well the department had been using to sell small quantities of water to local farmers and small businesses. She said the well is a former municipal well, with a permit of 100 acre-feet per year, and is located within one of the points of diversion for the City of Lignite's permit. In addition, she said, the city's permit is both a municipal and industrial permit. She said permits are not normally issued for multiple purposes but, she said, the City of Lignite's permit is a very old permit.

Ms. Weier said the State Engineer's office determined the City of Lignite had exceeded its limit of 100 acre-feet per year in 2011 by 33.8 acre-feet and in 2012 by 101.1 acre-feet. She said the State Engineer's office finalized an administrative consent agreement with the Lignite Volunteer Fire Department in December 2014, which includes:

- A penalty for overuse in 2011 of \$20,000 with \$15,000 suspended for 2 years;
- A penalty for overuse in 2012 of \$658,870.72, which includes two cents per gallon for 101.1 acre-feet;
- Payment of 50 percent of pre-tax revenue each month or a minimum annual payment of \$36,000; and
- Annual interest rate of 1.5 percent, which will begin in 2016.

In addition, Ms. Weier said, the State Engineer's office issued the Lignite Volunteer Fire Department a conditional water permit for 150 acre-feet per year with 230 acre-feet held in abeyance in December 2014. After issuance of a conditional water permit, she said the Lignite Volunteer Fire Department currently sells water to the oil industry and has been making monthly payments.

Chairman Klein asked the Legislative Council staff to provide information ([Appendix F](#)) to the committee regarding the amount of insurance tax payments which were allocated to the Lignite Volunteer Fire Department in 2014 and 2013. The insurance tax payments allocation to the Lignite Volunteer Fire Department were \$5,839 in 2014 and \$4,344 for 2013.

Representative Skarphol suggested the committee request information from the Lignite Volunteer Fire Department regarding its annual revenues from water sales and from other revenue sources. He said it may be difficult for the Lignite Volunteer Fire Department to pay its annual penalty payment to the State Engineer's office if water sales to the oil industry decline.

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Chairman Klein called on Mr. Jason Ostroski, CliftonLarsonAllen LLP, Certified Public Accountants, who presented the audit report for the Retirement and Investment Office for the years ended June 30, 2014 and 2013. He reviewed the auditor's responses to the committee guidelines and said the report includes one significant accounting policy change related to Governmental Accounting Standards Board Statement No. 67.

Mr. Ostroski presented the audit report for the Retirement and Investment Office--Schedule of Employer Allocations and Pension Amounts by Employer for the fiscal year ended June 30, 2014. He reviewed the auditor's responses to the committee guidelines and said the report contains an unmodified opinion, and said the report does not include any findings or recommendations.

Chairman Klein called on Mr. Darrell Lingle, Eide Bailly LLP, Certified Public Accountants, who presented the audit report for the Bank of North Dakota for the fiscal year ended December 31, 2014. He reviewed the auditor's responses to the committee guidelines and said the report includes one significant accounting policy change related to Governmental Accounting Standards Board Statement No. 68. He said the policy change resulted in an adjustment to decrease the beginning net position as of January 1, 2014, by \$7.5 million.

In response to a question from Representative Klemin, Mr. Lingle said he would provide information to the committee documenting a correction to the Bank of North Dakota's 2014 audit report relating to a high-risk information technology system finding that should not have been included in the report.

Chairman Klein called on Ms. Katie Moch, Eide Bailly LLP, Certified Public Accountants, who presented the audit report for the Ag PACE fund for the fiscal years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Moch presented the audit report for the PACE fund for the fiscal years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Moch presented the audit report for the beginning farmer revolving loan fund for the fiscal years ended December 31, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Moch presented the audit report for the community water facility loan fund for the fiscal years ended December 31, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Moch presented the audit report for the medical facility infrastructure loan program for the fiscal year ended June 30, 2014. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

In response to a question from Senator Lee, Mr. Robert Humann, Chief Lending Officer, Bank of North Dakota, provided information ([Appendix G](#)) regarding the amount of medical facility infrastructure loans issued. He said requests were submitted beyond the \$50 million available for the program.

In response to a question from Representative Skarphol, Mr. Humann said the Medical Facility Infrastructure Task Force received loan requests of \$62 to \$65 million. He said because of demand for the medical facility infrastructure loan program, the Bank of North Dakota has created a medical PACE fund to provide up to \$35 million of additional funds, which can be used for projects including critical access hospitals. He said, at this time, requests for loans from the medical PACE fund have been approximately \$15 to \$20 million.

Ms. Moch presented the audit report for the State Building Authority for the fiscal years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report includes one significant accounting policy change related to the implementation of Governmental Accounting Standards Board Statement No. 65.

Ms. Moch presented the audit report for the guaranteed student loan program for the fiscal years ended September 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Moch presented the audit report for the Public Finance Authority for the fiscal year ended December 31, 2014. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Moch presented the audit report for the student loan trust fund for the fiscal years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report includes one significant accounting policy change related to the implementation of Governmental Accounting Standards Board Statement No. 65. She said the change included an adjustment to decrease beginning net position as of July 1, 2012, by \$156,000.

Ms. Moch presented the audit report for the rebuilders loan program for the fiscal years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report includes one significant accounting policy change related to the implementation of Governmental Accounting Standards Board Statement No. 65. She said the change resulted in an adjustment to decrease beginning net position as of July 1, 2012, by \$230,850. In addition, she said, the report includes two significant audit findings relating to an overstatement on cancellation of debt and an understatement of nonoperating revenues.

Ms. Moch presented the audit report for the Development Fund, Inc. for the fiscal years ended June 30, 2014 and 2013. She said the report identified two internal control findings relating to reviewing of recorded transactions and review of changes with financial reporting requirements.

Ms. Moch presented the audit report for the Workforce Safety and Insurance for the fiscal years ended June 30, 2014 and 2013. She said the report identified two items of noncompliance relating to Section 65-01-08 regarding fees on claims for medical and hospital goods and services to an injured employee, and Section 65-02-35 regarding amount paid for attorney fees.

In response to a question from Representative Klemin, Ms. Cindy Ternes, Finance Director, Workforce Safety and Insurance, said Workforce Safety and Insurance did receive refunds for attorney fees which the agency paid in excess of the \$500 limit.

Ms. Moch presented the audit report for the State Fair Association for the fiscal years ended September 30, 2014 and 2013. She said the report identified one significant audit adjustment relating to the recording of construction in progress.

Chairman Klein called on Mr. Tim Porter, Chief Financial Officer, Bank of North Dakota, to present information ([Appendix H](#)) regarding the audit report for College SAVE for the years ended December 31, 2014 and 2013, and supplementary information for fiscal year ending December 2014. Mr. Porter said the Bank of North Dakota acts as trustee for the College SAVE plan; Ascensus Broker Dealer Services, Inc. is the plan manager and the Vanguard Group, Inc. is the investment manager. He said the College SAVE audit was conducted by Thomas & Thomas LL, Certified Public Accountants. He said the report contains an unqualified opinion and does not include any findings or recommendations.

Chairman Klein called on Ms. Hoffman, who presented the audit report for the Mill and Elevator Association for the fiscal years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report identified one significant audit adjustment of \$2.9 million relating to transfers to the general fund.

Ms. Cindi Pedersen, Audit Manager, State Auditor's office, presented the audit report for the North Dakota Lottery for the fiscal years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

In response to a question from Representative Kelsh, Mr. Randy Miller, Director, North Dakota Lottery, said the state received net proceeds of \$7,822,500 from lottery ticket sales of \$26,899,400 for fiscal year ending June 30, 2014. He said of the \$7.8 million of net proceeds, \$200,000 was transferred to the compulsive gambling prevention and treatment fund, \$422,500 was transferred to the multi-jurisdictional drug task force grant fund, and the remaining \$7.2 million was transferred to the general fund.

Mr. Paul Welk, Audit Manager, State Auditor's office, presented the audit report for the Attorney General for the fiscal years ended June 30, 2014 and 2013. He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Pedersen presented the audit report for the State Historical Society for the fiscal years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report identified two findings relating to inventory segregation of duties and inventory loss prevention control weakness. In addition, she said, the report identified one prior period audit recommendation not implemented relating to inadequate procedures surrounding revenue collections.

Mr. Ed Nagel, Director, State Auditor's office, presented the audit report for the Indian Affairs Commission for the fiscal years ended June 30, 2014 and 2013. He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the Highway Patrol for the fiscal years ended June 30, 2014 and 2013. He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Welk presented the audit report for the Department of Financial Institutions for the fiscal years ended June 30, 2014 and 2013. He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Tolstad presented the audit report for the Securities Department for the fiscal years ended June 30, 2014 and 2013. He reviewed the auditor's responses to the committee guidelines and said the report identified one internal control finding relating to lack of policies and procedures for broker and dealer registrations.

Ms. Karen Tyler, Securities Commissioner, Securities Department, provided comments regarding recommendations provided in the audit report for the Securities Commission for the fiscal year ended June 30, 2014. She does not agree with the auditor's recommendation to develop written policies and procedures regarding the regulation of broker-dealers, which includes policies and procedures relating to registration, examination, investigation, complaints, and enforcement actions. She said brokers and dealers are regulated by a system of laws, rules, and regulations. She said the laws, rules, and regulations are enforced by the federal Securities and Exchange Commission, by state security regulators, and by the Financial Industry Regulatory Authority. She said uniformity and consistency in the industry is very important because the industry includes operations in every state, at the federal level, and internationally. She said the North Dakota Legislative Assembly, by statute, has given the Securities Department broad authority to enforce, as necessary, the securities laws of North Dakota.

In response to comments from Representative Klemin, Ms. Tyler said the state adopted the Uniform Securities Act of 1956. In addition, she said, it was substantially updated and incorporated with the Uniform Securities Act of 2002.

In response to a question from Representative Kempenich, Ms. Tyler said the commission would consider establishing policies and procedures for training staff.

Mr. Tolstad said the State Auditor's office does not require an agency to implement any of the audit recommendations. He said an agency may choose to implement or not implement recommendations provided in the audit report. He said when the auditors conduct the next audit, they will determine if the recommendations have been implemented, and if not, will determine if the recommendation is still appropriate.

Mr. Nagel presented the audit report for the Game and Fish Department for the fiscal years ended June 30, 2014 and 2013. He reviewed the auditor's responses to the committee guidelines and said the report identified two findings relating to noncompliance of procurement laws and noncompliance of Section 44-08-04 and OMB Policies 505 and 507 relating to reimbursement of employee travel expense.

Mr. Nagel presented the audit report for the Adjutant General for the fiscal years ended June 30, 2014 and 2013. He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the Secretary of State for the fiscal years ended June 30, 2014 and 2013. He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Hoffman presented the audit report for the Department of Veterans' Affairs for the fiscal years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report identified three findings relating to the following:

- Due diligence regarding the review of files of loans listed on the loan receivable trial balance and collection of outstanding balances on delinquent loans.
- Misstatements of loan receivables.
- Noncompliance of state vehicle use.

Mr. Nagel presented the audit report for the Information Technology Department for the fiscal years ended June 30, 2014 and 2013. He reviewed the auditor's responses to the committee guidelines and said the report identified one internal control finding relating providing a complete annual inventory of fixed assets pursuant to Section 44-04-07.

Mr. Dan Sipes, Deputy Chief Information Officer and Director, Information Technology Department, said the department agrees with the auditor's recommendation to provide for an annual inventory of fixed assets pursuant to Section 44-04-07. He said the department has had challenges completing the annual inventory of fixed assets for fiscal year 2014 because of staff turnover. He said the department has automated some of the processes to assist with completing the annual inventory of fixed assets more efficiently.

Mr. Welk presented the audit report for the Protection and Advocacy Project for the fiscal years ended June 30, 2014 and 2013. He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Hoffman presented the audit report for the North Dakota University System office for the fiscal years ended June 30, 2014 and 2013. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Pedersen presented the audit report, and other information, for the statewide single audit for the fiscal years ended June 30, 2014 and 2013. She said total federal expenditure awards, at the state level, were \$1,599,589,531 in 2014 and \$1,627,580,817 in 2013. She said the main reason for the reduction of federal expenditure awards from 2013 to 2014 includes the expiration of federal expenditure awards from the federal Recovery Act. She said the statewide single audit included 33 major federal programs. She said there were 53 audit findings, 22 of which were repeat findings from the prior single audit. She said three of the findings were considered material noncompliance findings, which did result in a qualified opinion for the Medicaid program.

Ms. Pedersen said the three recommendations, which were considered have a material noncompliance include the following:

- Recommending the Department of Human Services ensure the Surveillance Utilization Review Section (SURS) sampling activities are executed in accordance with the SURS sampling plan by ensuring sampling activities are properly documented, samples are expanded when errors are detected, quarterly audits are performed every quarter, sampling results are tracked to identify fraud and abuse, and actions taken to identify fraud are documented.
- Recommending the Department of Human Services ensure preliminary investigations are properly documented and performed on all cases of fraud and abuse, determine if sufficient basis warrants a full investigation, and when necessary, refer the cases to the proper authority.
- Recommending the Department of Human Services sufficiently organize the SURS unit outside the control of other Medicaid operations so the SURS unit can objectively perform its function.

ELECTRONIC VIEWING OF AUDIT REPORTS

The committee discussed the committee's preferences regarding future audit reports being presented electronically.

Representative Klemin commented that he prefers to access the reports from his iPad. In addition, he said, it reduces the amount of paper the committee receives.

Chairman Klein said the committee will continue to receive selected audit reports in an electronic format at future meetings.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

The Legislative Council staff distributed a memorandum entitled [Summary of Audit Reports Not Selected for Presentation](#).

Representative Kempenich requested the audit report for the North Dakota Corn Utilization Council for the two-year period ended June 30, 2013, be presented at the next committee meeting.

It was moved by Senator Lee, seconded by Senator O'Connell, and carried on a roll call vote that, pursuant to Section 54-35-02.2, the committee accept the following reports presented to the committee:

1. Medicaid provider and recipient fraud and abuse performance audit followup report (September 26, 2014).
2. Dickinson State University performance audit followup report (November 26, 2014).
3. North Dakota Comprehensive Annual Financial Report (June 30, 2014).
4. North Dakota University System annual financial report (June 30, 2014).
5. Housing incentive fund (June 30, 2014 and 2013).
6. Housing Finance Agency (June 30, 2014 and 2013).
7. Department of Trust Lands (June 30, 2014 and 2013).
8. Job Service North Dakota (June 30, 2014 and 2013).

9. Public Employees Retirement System (June 30, 2014 and 2013).
10. Public Employees Retirement System--Schedule of Employer Allocations and Pension Amounts by Employer (June 30, 2014).
11. Retirement and Investment Office (June 30, 2014 and 2013).
12. Retirement and Investment Office--Schedule of Employer Allocation and Pension Amounts by Employer (June 30, 2014).
13. Bank of North Dakota (June 30, 2014).
14. Ag PACE fund (June 30, 2014 and 2013).
15. PACE fund (June 30, 2014 and 2013).
16. Beginning farmer revolving loan fund (December 31, 2014 and 2013).
17. Community water facility loan fund (December 31, 2014 and 2013).
18. Medical facility infrastructure loan program (June 30, 2014).
19. State Building Authority (June 30, 2014 and 2013).
20. Guaranteed student loan program (September 30, 2014 and 2013).
21. Public Finance Authority (December 31, 2014).
22. Student loan trust fund (June 30, 2014 and 2013).
23. Rebuilders loan program (June 30, 2014 and 2013).
24. Development Fund, Inc. (June 30, 2014 and 2013).
25. Workforce Safety and Insurance (June 30, 2014 and 2013).
26. State Fair Association (September 30, 2014 and 2013).
27. College SAVE (December 31, 2014 and 2013).
28. College SAVE supplementary information (December 31, 2014).
29. Mill and Elevator Association (June 30, 2014 and 2013).
30. North Dakota Lottery (June 30, 2014 and 2013).
31. Attorney General (June 30, 2014 and 2013).
32. State Historical Society (June 30, 2014 and 2013).
33. Indian Affairs Commission (June 30, 2014 and 2013).
34. Highway Patrol (June 30, 2014 and 2013).
35. Department of Financial Institutions (June 30, 2014 and 2013).
36. Securities Commission (June 30, 2014 and 2013).
37. Game and Fish Department (June 30, 2014 and 2013).
38. Adjutant General (June 30, 2014 and 2013).
39. Secretary of State (June 30, 2014 and 2013).
40. Department of Veterans' Affairs (June 30, 2014 and 2013).
41. Information Technology Department (June 30, 2014 and 2013).
42. Protection and Advocacy Project (June 30, 2014 and 2013).
43. North Dakota University System office (June 30, 2014 and 2013).
44. Statewide single audit (June 30, 2014 and 2013).
45. Reports available but not selected for presentation:
 - a. State Board of Medical Examiners (December 31, 2013 and 2012).
 - b. State Electrical Board (June 30, 2013 and 2012).
 - c. State Board of Chiropractic Examiners (December 31, 2014).
 - d. State Board of Physical Therapy (June 30, 2014 and 2013).
 - e. State Board of Accountancy (June 30, 2014 and 2013).
 - f. State Board of Examiners for Nursing Home Administrators in North Dakota (June 30, 2014 and 2013).

- g. State Board of Funeral Service (June 30, 2014 and 2013).
- h. State Board of Cosmetology (June 30, 2014).
- i. State Board of Dental Examiners (June 30, 2013 and 2012).
- j. State Board of Examiners for Hearing Instrument Dispensers (June 30, 2010, 2009, and 2008).
- k. State Board of Registration for Professional Engineers and Land Surveyors (June 30, 2014).
- l. State Board of Barber Examiners (August 31, 2013).
- m. State Board of Counselor Examiners (June 30, 2013).
- n. State Board for Professional Soil Classifiers (June 30, 2014).
- o. State Board of Water Well Contractors (June 30, 2013).
- p. State Board of Clinical Laboratory Practice (June 30, 2013 and 2012).
- q. State Board of Occupational Therapy Practice (June 30, 2013 and 2012).
- r. Abstracters' Board of Examiners (August 31, 2013).
- s. North Dakota Real Estate Commission (June 30, 2014).
- t. North Dakota Licensure Board of Athletic Trainers (June 30, 2014, 2013, 2012, 2011, and 2010).
- u. North Dakota Marriage and Family Therapy Licensure Board (December 31, 2013 and 2012).
- v. North Dakota Board of Reflexology (June 2014).
- w. North Dakota Barley Council (June 30, 2014 and 2013).
- x. North Dakota Beef Commission (June 30, 2014 and 2013).
- y. North Dakota Dairy Promotion Commission (June 30, 2014 and 2013).
- z. North Dakota Dry Bean Council (June 30, 2014 and 2013).
- aa. North Dakota Dry Pea and Lentil Council (June 30, 2014 and 2013).
- bb. North Dakota Ethanol Council (June 30, 2014 and 2013).
- cc. North Dakota Milk Marketing Board (June 30, 2014 and 2013).
- dd. North Dakota Oilseed Council (June 30, 2014 and 2013).
- ee. North Dakota Potato Council (June 30, 2014 and 2013).
- ff. North Dakota Soybean Council (June 30, 2014 and 2013).
- gg. North Dakota Wheat Commission (June 30, 2014 and 2013).
- hh. North Dakota State Seed Department (June 30, 2014 and 2013).
- ii. North Dakota Peace Officers Standards and Training Board (December 31, 2012 and 2011).

Senators Klein, Lee, and O'Connell, and Representatives Pollert, Hatlestad, Kelsh, Kempenich, Klemin, Martinson, and Nathe voted "aye." No negative votes were cast.

Chairman Klein said the committee will be notified of the next meeting date.

No further business appearing, Chairman Klein adjourned the meeting at 4:00 p.m.

Michael C. Johnson
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:8